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The Knickerbocker Press, New York

wealth, which arises from the possession of such higher numbers.

The product of this tax will, probably, be about equal to the residue of the proposed annuity, which is $43,199 06. How near the truth this estimate may prove, experiment alone can, in so untried a case, decide. An aid to this fund may be derived from the surplus dividend on the bank stock, for the half year ending the last of December next, which, it is presumed, will be not less than $20,000. Should a deficiency appear, upon trial, it can be supplied by a future provision.

Proper regulations for the collection of this tax will, it is believed, be found not difficult, if the tax itself shall be deemed eligible. Its simplicity has been a considerable recommendation of it. Qualified as it is, it is not likely to fall on any but such who can afford to pay it. The exemption from the tax, in regard to horses which are appropriated to the purposes of *husbandry*, or of any trade or occupation, or to the transportation of commodities, seems to obviate all reasonable objection.

If, however, there should appear to the Legislatu reasons for preferring a tax on carriages for pleasu which, it may be observed, will operate on nearly same description of persons, the sum required n it is believed, be produced from the following rangements of rates, viz.: Upon every coach annual sum of four dollars. Upon every charic annual sum of three dollars. Upon every carriage *for the conveyance of persons*, havi wheels, the annual sum of two dollars; ar

Among the official papers, which it is
were consulted, was an original account,
the Bank of the United States, of the sales
dam bills, showing a sum of six hundred a
sand eight hundred and eighty-three doll
cents, as having been received by the b
of its offices of discount and deposit, for
of those bills. Had the document been
it would have been known that this sum
over and above the balance of the Treas
count; and this also would have served
a large part of the supposed deficiency
hundred and five thousand eight hundre
three dollars and eight cents. The
transaction will be hereafter explained

But, among the misconceptions
tained, what relates to the surplus of
year 1792, is not the least striking.
(and consequently no information on
this Department could have been
credits are allowed upon the duties
four, six, nine, twelve months, and, i
two years. Reason dictates, that a
case, must be considered as postpon
tion or receipt, till all appropriation
have been first satisfied. The acc
and expenditures to the end of 1791
the House, shows that, at that tim
than one million eight hundred a
thousand two hundred and eighty-
twenty-eight cents of the antece
outstanding in bonds. How, then

give, or as occasions should require. A considerab
latitude of discretion, nevertheless, from the ve
nature of the case, attended it, so as justly to leav
on the head of this Department, a complete respon
ibility in all instances where special exceptions
not appear.

2. That the first loan which was obtained was t
dertaken and completed by the agency of Wilh
and Jan Willink, and Nicholaas and Jacob Van St
horst and Hubbard, who, both under the former a
present Government, have been, and are, the bank
of the United States, at Amsterdam.

3. That, with the single exception of the first lo
William Short, Esq., then Chargé des Affaires at t
court of France, now Resident Minister at the Hag
was constituted the sole agent of this Department
carrying into effect the powers confided to it; w
this qualification only, that, if any negotiation wit
prince or state, to whom any part of the debt to
discharged by the loans was due, should be requisi
the same was to be carried on through the person w
in capacity of Minister, Chargé des Affaires, or oth
wise, then was, or thereafter might be, charged v
transacting the affairs of the United States with
prince or state.

4. That all payments, which have been mad
of the proceeds of the loans, have been made
immediate and special order of Mr. Short,
those upon the bills of the Treasurer for the
drawn to this country, and those to the
lenders in Holland, which were made in cour
bankers, at the periods they respectively be

the proceeds in the Treasury. It will be remarked that, from the terms of credit allowed, they only began to be receivable in October last, the 26th day of which month the first return made by the bank shows a sum of 127,225 dollars and 53 cents received, and that the collection had not been completed when the accounts of the sales were rendered.

There are different views of the subject which will enable the House to perceive that the possession of the fund in question was necessary to enable the Treasury to furnish the means of making all purchases which were made prior to July, 1792.

It is true that there was a surplus of revenue the end of the year 1790, equal to 1,374,656 dolla and 40 cents, which was appropriated to Purchas of the debt; and, from the credits then given upo the duties, this surplus would naturally come int the Treasury in the course of the year 1791.

But the Legislature, foreseeing that the revenue 1791, from the same cause, could not actually be the Treasury within that year, to face the appropri tions upon it (which, it is to be observed, were nea commensurate with the fund), inserted a clause the law appropriating the surplus of 1790 to purchase of the debt, which authorized a res ation of so much of that surplus as might necessary to make the payments of interest d 1791, in cases of a deficiency in the receipts in Treasury, on account of the current revenue year.

It will appear to the House, upon a recur the Treasurer's quarterly account, ending

stance which operated as an additional reason for keeping a respectable sum always on hand. The loans of the domestic debt were going on till the last of September of that year; while, at the same time, the interest was in a course of payment. It was, therefore, always uncertain what sum would be payable at the end of a quarter, this depending on the eagerness or backwardness of the public creditors in bringing forward their subscriptions or their claims as non-subscribers. The omissions at the end of a preceding quarter might be expected to fall upon a subsequent one; and it was necessary to be prepared for that possibility; of course, to keep in hand a larger fund for contingent demands. This necessity extended to the termination of the period for receiving subscriptions; because the Treasury was to be prepared on the supposition that the whole of the domestic debt would then be in a state to receive interest, either as *subscribed* or *unsubscribed*. But this did not, in fact, happen. A part of the sums which were presented were crowded into the last days of the quarter, and were too late for a dividend. A considerable sum remained ultimately in a form which, according to the terms of the provision, did not entitle it to interest, either as *subscribed* or *unsubscribed* debt.

Hence the cash in the Treasury on the 1st of October 1791, was by a considerable sum greater than was have been counted upon, or than might have happened.

The conclusion which results from the foregoing observations is this: that the purchases which preceded the 1st of October, 1791, and which amount

But when it is considered, for the reasons which have been stated, and which will hereafter be fortified by others, tending, as I conceive, to give them conclusive force, that the sum in the Treasury at the period in question was barely what ought to have been there for safety and for a due supply of current demands, it will follow that the whole, or nearly the whole, of the purchases which were made previous to July, 1792, were made by the means or instrumentality of the foreign fund.

A similar view, extended to the subsequent quarter, will exhibit this point in a still clearer light. The balance then in the Treasury, including a further loan from the bank of 100,000 dollars, was only 420,914 dollars and 51 cents.

What, then, it may be asked, became of the surplus revenue to the end of the year 1790? what was the office performed by that fund during the period in question?

The answer is that it served exactly the purpose which was anticipated by the Legislature. It came in aid of the current receipts for satisfying the current expenditures of 1791, with particular reference to the interest of the debt. This will easily be apprehended when it is recollected that the appropriations made during 1791 upon the revenues of the antecedent year, and some small surpluses of appropriations, amounted to 3,637,058 dollars and cents; that the revenues themselves amounted to more than 3,553,195 dollars and 18 cents; and at the end of 1791, there were outstanding, for the duties on imports, besides the chief

of the moneys invested in purchases between
periods was 349,984 dollars and 23 cents, chie
the month of September, and by anticipati
those receipts.

The whole sum successively received on acco
Amsterdam bills, subsequent to the 1st of M
and prior to July, 1792, was 235,412 dollars an
cents. The amount of the moneys invested in
chases between those periods was 242,688 do
and 31 cents.

It was stated in my first letter, that 177,998
lars and 80 cents of the proceeds of the foreign
were left in deposit with the Bank of North Amer
and in a note upon statement B, accompanying
letter, the occasion of it was shown to be an adva
without interest, made by that bank, for the us
the Department of War; which could not yet
covered, in consequence of a doubt still remaini
whether the fund appropriated for satisfying th
object was adequate to it—the sufficiency of th
fund depending in part on certain unexpended
sidues of antecedent appropriations, which it r
expected would not be finally necessary wa
ing the purposes of those appropriations. for satisfy

It is to be remarked, that the delay of the employ
ment of this part of the proceeds of the foreign fun
has been compensated by a saving of interest on th
sum advanced by the bank, which otherwise m
have been procured upon a loan with an allowa
of interest, probably at the time of the advance
rate of six per cent.; so that, even in this part
the fund, though temporarily suspended

of one half per centum, or, in lie
option of each subscriber, an eq
capital stock, bearing an interest o
per annum. That the whole inter
loan, including that upon the ca
given as an equivalent for the a
per cent., shall remain fixed unt
January, 1818, at which time, an
principal of the said new loan,
capital stock given as an equival
be reimbursed, except as to such
prefer a shorter term of reimbu
elect any term not less than fifte
permanent revenues shall be
pledged for the payment of the
the reimbursement of the said
quarter yearly, as that of the pre
debt. And, lastly, that the c
sinking fund be empowered, wit
the President, to provide, by
imbursement of any instalment
of the present foreign debt, or
thereupon, as aforesaid, either
or by sale in the market, of
as the said loan or the said cert
bear an interest not exceeding
annum, and shall be liable to
a term not exceeding twenty
terest upon the capital reim
thereof, the permanent reven
the interest upon the loans
created by virtue of the said

reserved, on account of the principal and interest of the moneys authorized, by that act, to be borrowed for purchases of the debt; charging the interest of the moneys so borrowed, upon the revenue from imports and tonnage.

3d. To appropriate to the SAME FUND, *so much* of the revenue from imports and tonnage, as, *together with the other moneys now constituting the fund, and which shall accrue to it by virtue of the foregoing provisions*, shall be sufficient, *from year to year*, with the interest redeemed, to pay the sums which may, of right, be annually paid on account of the principal of such funded stock, as, on the 1st day of January 1796, shall bear a present interest of 6 per cent per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States; to continue so appropriated until the whole of the said funded stock shall be redeemed, and, thenceforth, until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed or discharged.

4th. To appropriate to the SAME FUND, the *dividends* on the stock of the Bank of the United States belonging to the United States, reserving, from time to time, *so much thereof* as may be necessary to pay *interest on what shall remain unpaid* of the loan had of the said bank, pursuant to the second section of the act of incorporation, and, also, *so much* of the

6th. To provide for carrying to the SAME FUND, agreeably to the appropriation in the funding act, the proceeds of the sales of the lands of the United States in the Western territory, to be applied according to the said appropriation.

7th. To appropriate to the SAME FUND, to be employed for the purposes thereof, all moneys which shall be received for debts due to the United States, antecedent to the present constitution.

8th. To provide that the surpluses of all the current revenues of the United States, which shall remain at the end of any calendar year, beyond the amount of the appropriations charged upon them, and which, during the session of Congress, commencing next thereafter shall not be otherwise specially appropriated or reserved, shall be carried to the FUND AFORESAID, to be applied to the purposes thereof.

9th. To provide for paying annually, out of the SAID FUND, the sum which may be rightfully due each year, toward the redemption of the debt of the stock, which does or shall bear an interest of six per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of the particular States on account of the balances of the accounts in their favor by the commissioners for the settlement of the accounts between the United States and the individual States, commencing the redemption of the principal of a present interest on the first of January, 1802, and of that to bear interest after the year 1802, the first of January, 1802, and pledging, in

powers vested in them; and provided that no seco appropriation of any such *excess* shall derogate fr the fund *once reserved* for the redemption or purc of the said residue of the debt, within the said of thirty years.

10th. To provide that all reimbursements capital of the public debt, foreign and domes of the remaining instalments of the aforesa of the Bank of the United States, be made u superintendence of the commissioners of the fund, empowering them, with the approbatio President of the United States, as the instalm principal become due, to borrow, if necess sums requisite to pay those instalments. P that the ultimate term for the reimbursemen loan they may make shall not exceed twe years; the interest thereof to be charged—fi the interest of the instalments which sha imbursed by means thereof, except the ins of funded six-per-cent. stock; secondly, revenue from imports and tonnage, to m any deficiency.

VI. Proposition

That power be given to the commissio sinking fund, with the approbation of the to borrow, from time to time, such sums necessary in anticipation of the revenu ated for the purpose, not exceeding in one lion of dollars, to be reimbursed within the time of each loan, for the payment est which shall annually accrue on the

than that of property in public debt, which depends on annual provision. Hence, too, a creditor to whom such a pledge was not stipulated, may be justly said to have received a compensation for the relinquishment of a portion of his interest.

On the second point, it has been observed, with less plausibility, that, in this country, where it would be to the advantage of the creditor to receive his principal, rather than a rate of six-per-cent. interest, the abridgment of the right of redemption is of no value.

1st. The proposition is not universally true.

It depends on the particular situation of a creditor, whether it be his interest to be reimbursed his principal or not. It is believed, owing to the impunctuality of collections, that in no part of the United States does fair lending at private interest, upon real security, net six per cent.

2d. As far as it is true, it does not authorize the inference which is drawn, because the creditor cannot demand his principal when it suits him, but must wait till it is convenient for the Government to pay. This convenience might not exist till there was a fall in the market rate of interest, and then it would not be the interest of the creditor to receive.

Unable to exact the principal when he pleases, it is a material point gained to be able to arrest the hand of the Government from paying him when it is his interest not to receive. It is evident, that whenever the rate of interest to which he is entitled shall exceed the market rate, if he cannot be obliged to receive back his principal, or take the market

firmness, serve to promote the accumulation of debt, by leaving that which exists without adequate provision for its reimbursement, and by preventing the levying, with energy, new taxes, when new occasions of expense occur. The consequence is, that the public debt swells till its magnitude becomes enormous, and the burthens of the people gradually increase, till their weight becomes intolerable. Of such a state of things, great disorders in the whole political economy, convulsions and revolutions of government, are a natural offspring.

There can be no more sacred obligation, then, on the public agents of a nation, than to guard, with provident foresight and inflexible perseverance, against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully presumed, be better demonstrated by those of the United States, at the present juncture, than by improving, efficaciously, the very favorable situation in which they stand, for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundation of a system which may shield posterity from the consequences of the usual providence and selfishness of its ancestors, and if possible, may give IMMORTALITY TO PUBLIC

Fortunately for the first object, the circum in our foreign affairs, which, during the last impelled to an extension of the national have left little more to do than to apply the means with decision and efficacy.

The second object will depend on the ment of wise principles in the application

exigencies press. The causes which have been stated with another view, tempt the administrators of government to lay hold of this resource rather than resort to new taxes. This indicates the utility of endeavoring to give, by additional sanctions, inviolability to the fund.

But, will those proposed answer the end?

They are the most efficacious that can be imagined, and they are likely to be entirely efficacious. They cannot be disregarded, without, by breach of faith and contract, destroying credit; and at a juncture, too, when it is most indispensable. The emergencies which induce a diversion of the fund are those in which loans, and, consequently, credit, are most needed.

But will it be safe to put the funds so entirely out of the command of the government? May there not be situations in which the command of it may be requisite to the safety of the State?

This is not conceivable. The amount of the sinking fund will, in the situations which create extraordinary demands for money, be always inconsiderable, compared even with a single year's expenditure. The current revenues of a nation do not, in such cases, suffice. Plunder or credit must supply the deficiency. The first presupposes a subversion of all social order. The second will find its best support and greatest efficacy in adhering steadily to the principles of such a fund. An annuity of seven dollars will pay the interest upon, and discharge a capital of, one hundred dollars, bearing six per cent. interest, in thirty-three and a third years, nearly.

cessively pledged, after accomplishing their object, will afford resources that may almost be said to be inexhaustible.

It should be recollected, too, that the public arrangements may, under a great pressure, anticipate the approaching period of such liberation, by intermediate temporary loans, to be replaced by those funds when they are free.

This proposition exemplifies, as to the past, the nature of the maxim which has been supposed capable of giving immortality to credit, namely: that, with the *creation* of debt, should be incorporated the *means* of extinguishment; which means are twofold: 1. *The establishing, at the time of contracting a debt, funds for the reimbursement of the principal,* as well as for the payment of interest within a determinate period. 2. The *making it a part of the contract,* that the fund, so established, shall be inviolably applied to the object.

It is believed that it would be happy for the United States, if Congress would adopt this principle as a rule in all future loans—never to be departed from; and a good evidence of this determination will be, to apply it to the past.

This would be, at the same time, an antidote against what may be pronounced the most plausible objections to the system of *funding* public debts; which are, that, by facilitating the means of supporting expense, they encourage to enterprises which produce it; and, by furnishing in credit a substitute for revenue, likely to be too freely used to avoid the odium of laying new taxes, they occasion a tendency

fifth proposition, it may be proper to add some brief notes on particular parts of it.

It is proposed that the redemption of the present six per cent. stock shall commence on the 1st of January, 1796. This time of commencement is recommended by several reasons: 1. It ought to be such as to admit of sufficient notice to distant creditors. 2. It will favor order, to date the commencement of every new pecuniary operation, where there is an option, and no particular reason to the contrary, with the commencement of the natural year. 3. The moment of payment presupposes that the annuity to be paid has actually accrued, which will not be the case till the end of the present year. 4. The small delay, by not forcing the means, will facilitate the future execution.

It is a part of the plan to make provision for reimbursing the remaining instalments of the two-million loan, had of the Bank of the United States, pursuant to the act of incorporation. The preceding instalments have been reimbursed out of the proceeds of foreign loans. This resource cannot, in future, be relied upon; and for such a purpose it is not as eligible as a domestic one, though circumstances have hitherto dictated a recurrence to it. By making the dividends on the stock auxiliary for this purpose to the revenue from taxes, the object is effected with little more than half the sum from that revenue and, in the end, a fund is formed from the dividends which, with a small addition, suffices for the redemption of the deferred stock. As these instalments are yearly falling due, and must be paid as

which has already received the legislative sanction. It was necessary to fix a time when the appropriation of the surplus should become absolute, and that this should be consistent with a due opportunity to provide for the exigencies of the public service. Both these considerations have been consulted. This measure has, besides, reference to a more speedy redemption of the debt than it appears prudent to attempt by an *absolute appropriation* of more extensive funds. And the legislators of to-day would be entitled to the lasting gratitude of their country, if they would extend this auxiliary resource by all the means which are consistent with a due regard to the present accommodation of their constituents.

It is proposed to authorize the commissioners of the sinking fund to provide, by new loans, for the reimbursement of the instalments which, from time to time, accrue. This is on the ground that it is essential to the perfection of the system of redemption, that all the means of ultimate execution should be organized in it, and that there should be no need of future provisions.

The last clause of the proposition excepts from the operation of that clause the interest on the six per cent. stock. This is because that interest is destined to form the accumulations for paying the successive instalments of the principal of that stock, which increase each year in a ratio to the interest liberated by each payment.

The statement E exhibits the course of the sinking fund, as proposed to be established.

made for objects, the extent of which is not precisely known, or in a degree casual. To leave them indefinite, as to time, is sometimes to tie up, unnecessarily, a portion of the public funds, which may, ultimately, not be wanted at all for the purpose of the original appropriation.

It will do away this inconvenience, and promote perspicuity in the treasury accounts of appropriations, if an ultimate period is fixed when each appropriation shall be deemed to have ceased. Should further appropriations appear necessary for the same objects, new estimates can be presented, and new appropriations made.

The designating an account with a denomination known in the laws, to which the surpluses are to be carried, will facilitate future legislative dispositions of the resulting fund. It is, however, essential to the system of public credit, that this should be with the exceptions contained in the proposition.

Remarks on the Ninth Proposition

This proposition is calculated to give simplicity to the public accounts of stock and revenue, which will conduce to correctness, dispatch, and economy. As the revenues are manifestly more than adequate to the claims of all the creditors, they, none of them, have any interest in the distinctions which now exist, and which grew out of the course of the business; and the rights of none of them will be affected because all who choose may continue on their former ground, by signifying their dissent to the present pla It is, however, presumed, there will be no such disse

zeal, had a great share in accomplishing, without such violent expedients, as, generating universal distress, would have endangered the issue, that Revolution, of which we are so justly proud, and to which we are so greatly indebted.

Credit, likewise, may, no doubt, claim a principal agency in that increase of national and individual welfare since the establishment of the present government, which is so generally felt and acknowledged, though the true causes of it are not as generally understood. It is the constant auxiliary of almost every public operation; has been an indispensable one in those measures by which our frontiers have been defended; and it would not be difficult to demonstrate that, in a recent and delicate instance, it has materially contributed to the safety of the state.

There can be no time, no state of things, in which credit is not essential to a nation, especially as long as nations in general continue to use it as a resource in war. It is impossible for a country to contend, on equal terms, or to be secure against the enterprises of other nations, without being able equally with them to avail itself of this important resource; and to a young country, with moderate pecuniary capital, and not a very various industry, it is still more necessary than to countries more advanced in both. A truth not less weighty for being obvious and frequently noticed.

Public credit has been well defined to be "a faculty to borrow, at pleasure, considerable sums on moderate terms; the art of distributing, over a succession

a great means of rendering it competent to its object, if, as was early suggested by him, the officers of the customs had had rank in the navy of the United States.

With regard to that branch of revenue which is constituted by the duties upon spirits distilled within the United States, and upon stills, it is believed that it would be an improvement, and one which could be now made without inconvenience, to abolish the option to pay by the gallon of the spirits distilled, in the cases where the duties are charged on the stills. This will leave the alternative of paying by the year, or for less periods, upon licenses, at the choice of the party; an alternative which affords sufficient accommodation to the difference of circumstances. The option to pay by the gallon of the spirits distilled, according to an account to be rendered on the oath of the party, though expedient in the first experiment of the law, is objectionable, as a permanent regulation, in a double view.

The additional discretionary latitude given to compensations to the officers concerned in the collection of those duties, is restricted to a term which will expire at the end of the next session of Congress. It will be essential to extend it, or to fix the compensations which will have been allowed. It is believed that further experience will still be useful towards a definitive legislative adjustment.

Embarrassments are experienced from the want of a concurrent authority in these officers, similar to that of the officers of the customs, to make seizures within each other's surveys or divisions. On the

the company, to uphold it. But I suppose the plan capable of improvement, which experience will suggest.

I give one half of the whole property of the bank to the United States; because it is not only just but desirable to both parties. The United States contribute a great part of the stock; their authority is essential to the existence of the bank; their credit is pledged for its support. The plan would ultimately fail, if the terms were too favorable to the company, and too hard upon government. It might be encumbered with a debt which it could never pay, and be obliged to take refuge in bankruptcy. The share which the State has in the profits will induce it to grant more ample privileges, without which the trade of the company might often be under restrictions injurious to its success.

It is not, perhaps, absolutely necessary that the sum subscribed should be so considerable as I have stated it, though the larger the better. It is only necessary it should be considerable enough to engage a sufficient number of the principal moneyed men in the scheme. But Congress must take care to proportion the advantages they give and receive.

It may be objected that this plan will be prejudicial to trade, by making the government a party with a trading company; which may be a temptation to arrogate exclusive privileges, and thereby fetter that spirit of enterprise and competition on which the prosperity of commerce depends. But Congress may satisfy the jealousies on this head, by a solemn resolution not to grant exclusive privileges,

which alone can make the objection valid. Large trading companies must be beneficial to the commerce of a nation, when they are not invested with these, because they furnish a capital with which the most extensive enterprises may be undertaken. There is no doubt the establishment proposed would be very serviceable at this juncture, merely in a commercial view; for private adventurers are not a match for the numerous obstacles resulting from the present posture of affairs.

The present plan is the product of some reading on the subjects of commerce and finance, and of occasional reflections on our particular situation; but a want of leisure has prevented its being examined in so many lights, and digested so materially, as its importance requires. If the outlines are thought worthy of attention, and any difficulties occur which demand explanation; or if the plan be approved, and the further thoughts of the writer are desired, a letter directed to James Montague, Esquire, lodged in the post-office at Morristown, will be a safe channel of any communications you may think proper to make; and an immediate answer will be given. Though the writer has reasons which make him unwilling to be known, if a personal conference with him should be thought material, he will endeavor to comply.

You will consider this as a hasty production, and excuse the incorrectnesses with which it abounds.

I am, Sir, very respectfully,

Your most obedient and humble servant.

HAMILTON TO ROBERT MORRIS

April 30, 1781.

SIR:

I was among the first who were convinced that an administration by single men was essential to the proper management of the affairs of this country. I am persuaded now it is the only resource we have to extricate ourselves from the distresses which threaten the subversion of our cause. It is palpable that the people have lost all confidence in our public councils; and it is a fact, of which I dare say you are as well apprised as myself, that our friends in Europe are in the same disposition. I have been in a situation that has enabled me to obtain a better idea of this than most others; and I venture to assert that the Court of France will never give half the succors to this country, while Congress holds the reins of administration in their own hands, which they would grant, if these were entrusted to individuals of established reputation, and conspicuous for probity, abilities, and fortune.

With respect to ourselves, there is so universal and rooted a diffidence of the government, that, if we could be assured the future measures of Congress would be dictated by the most perfect wisdom and public spirit, there would be still a necessity for a change in the forms of our administration, to give a new spring and current to the passions and hopes of the people.

To me it appears evident that an executive ministry, composed of men with the qualifications I have described, would speedily restore the credit of

government abroad and at home—would induce our allies to greater exertions in our behalf—would inspire confidence in moneyed men in Europe, as well as in America, to lend us those sums of which it may be demonstrated we stand in need, from the disproportion of our national wealth to the expenses of the war.

I hope, sir, you will not consider it as a compliment, when I assure you that I heard, with the greatest satisfaction, of your nomination to the department of finance. In a letter of mine last summer to Mr. Duane, urging, among other things, the plan of an executive ministry, I mentioned you as the person who ought to fill that department. I know of no other in America, who unites so many advantages; and of course every impediment to your acceptance is to me a subject of chagrin. I flatter myself Congress will not preclude the public from your services by an obstinate refusal of reasonable conditions; and, as one deeply interested in the event, I am happy in believing you will not easily be discouraged from undertaking an office, by which you may render America, and the world, no less a service than the establishment of American independence! 'T is by introducing order into our finances—by restoring public credit—not by gaining battles, that we are finally to gain our object. 'T is by putting ourselves in a condition to continue the war—not by temporary, violent, and unnatural efforts to bring it to a decisive issue, that we shall, in reality, bring it to a speedy and successful one. In the frankness of truth I believe, sir, you

are the man best capable of performing this great work.

In expectation that all difficulties will be removed, and that you will ultimately act on terms you approve, I take the liberty to submit to you some ideas relative to the objects of your department. I pretend not to be an able financier; it is a part of administration which has been least in my way, and, of course, has least occupied my inquiries and reflections. Neither have I had leisure or materials to make accurate calculations. I have been obliged to depend on memory for important facts, for want of the authorities from which they are drawn. With all these disadvantages, my plan must necessarily be crude and defective; but if it may be a basis for something more perfect, or if it contains any hints that may be of use to you, the trouble I have taken myself, or may give you, will not be misapplied. At any rate, the confidence I have in your judgment assures me that you will receive with pleasure communications of this sort: if they contain anything useful, they will promote your views and the public benefit; if not, the only evil is the trouble of reading them; and the best informed will frequently derive lights, even from reveries of projectors and quacks. There is scarcely any plan so bad as not to have something good in it. I trust mine to your candor without further apology; you will at least do justice to my intention.

The first step towards determining what ought to be done in the finances of this country, is to estimate, in the best manner we can, its capacity for revenue;

and the proportion between what it is able to afford, and what it stands in need of, for the expenses of its civil and military establishments. There occur to me two ways of doing this: 1st. By examining what proportion the revenues of other countries have borne to their stock of wealth, and applying the rule to ourselves, with proper allowance for the difference of circumstances. 2d. By comparing the result of this rule with the product of taxes in those States which have been the most in earnest in taxation. The reason for having recourse to the first method is, that our own experience of our faculties in this respect has not been sufficiently clear, or uniform, to admit of a certain conclusion: so that it will be more satisfactory to judge of them by a general principle, drawn by the example of other nations, compared with what we have effected ourselves, than to rely entirely upon the latter.

The nations with whose wealth and revenues we are best acquainted, are France, Great Britain, and the United Provinces. The real wealth of a nation, consisting in its labor and commodities, is to be estimated by the sign of that wealth—its circulating cash. There may be times when, from particular accidents, the quantity of this may exceed or fall short of a just representative; but it will turn again to a proper level, and in the general course of things, maintain itself in that state.

The circulation of France is almost wholly carried on in the precious metals; and its current cash is estimated at from fifteen to sixteen hundred millions of livres. The net revenue of the kingdom,

the sum which actually passes into the public coffers, is somewhere between three hundred and sixty and four hundred millions, about one fourth of the whole of its currency. An estimate of the wealth of this nation is liable to less fallacy than of that of the other two, as it makes little use of paper credit, which may be artificially increased, and even supported, a long time beyond its natural bounds.

It is supposed that the gross sum extracted from the people by the collectors of the revenue may be one third more than that which goes into the treasury; but as their exactions are excessive, and fall too heavy on particular orders, who are by that means reduced to indigence and misery, it is to be inferred, that, with moderate and reasonable expenses of collection, the present revenue is as great as the kingdom can well afford, from its present quantity of wealth.

The circulating cash of Great Britain, in paper and specie, may be stated at about forty millions of pounds sterling. Mr. Hume supposes it to have been, at the time he wrote his *Essay on the Balance of Trade*, about thirty millions. Other writers have carried it to fifty, and it is probably in a medium that we shall find the truth. I do not include in this, the whole amount of bank-notes, exchequer bills, India bonds, etc., etc.; but only such part as is really employed in common circulation, and performs the offices of current cash. In '75, by Dr. Price's statement, the net revenue of Great Britain was ten millions—that is, about one fourth of its current cash, as in France.

I have never met with any calculation that might be depended upon, of the current cash of the Seven Provinces. Almost the whole of their coin, as well as large quantities of plate and bullion, are shut up in the Bank of Amsterdam. The real wealth of the bank is believed to be about fifteen millions sterling; though, upon the strength of this fund, it has a credit almost unlimited, that answers all the purposes of cash in trade. As the Dutch, by their prudent maxims, have commonly the rate of exchange throughout Europe in their favor, and a considerable balance of trade, the use of paper credit (which, in part, also depends upon the particular nature of their banks) has not the same tendency with them, as in England, to banish the precious metals. We may therefore suppose these to be here, as in France, the true sign of the wealth of the nation. If to the fifteen millions in bank, we add two millions of specie for the retail circulation and various transactions of business, we shall, I imagine, have nearly the true stock of wealth of the United Provinces. Their revenues amount to something more than four millions, and bear the same proportion to the stock from which they are drawn, as those of France and England. I confess, however, the data, in their case, are not sufficiently ascertained to permit us to rely equally on the result. From these three examples we may venture to deduce this general rule, —that the proportion of revenue which a nation is capable of affording, is about one fourth of its circulating cash, so far as this is a just representative of its labor and commodities.

This is only applicable to commercial countries, because, in those which are not so, the circulating cash is not an adequate sign. A great part of domestic commerce is carried on by barter; and the state must receive a part of its dues in the labor and commodities themselves. The proportion, however, of the revenues of such a state to the aggregate of its labor and commodities, ought to be the same as in the case of trading nations to their circulating cash; with this difference, that the difficulty of collection and transportation, the waste and embezzlement inseparable from this mode of revenue, would make the real advantage and ultimate gain to the state infinitely less than when the public dues are paid in cash.

When I say that one fourth part of its stock of wealth is the revenue which a nation is capable of affording to the government, I must be understood in a qualified, not in an absolute, sense. It would be presumptuous to fix a precise boundary to the ingenuity of financiers, or to the patience of the people; but this we may safely say, that taxation is already carried, in the nations we have been speaking of, to an extent which does not admit of a very considerable increase without a proportionable increase of industry. This suffices for a standard to us; and we may proceed to the application.

From a comparison of the several estimates I have seen, of the quantity of current cash in this country previous to the war (specie and paper), I have settled my opinion of the amount at thirty millions of dollars, of which about eight might have been in

specie: one fourth of this, by analogy, was at that time the proper revenue of these States; that is, seven and a half millions of dollars.

As taxation, however, has, by slow gradations, been carried to an extreme in those countries which I have chosen as examples, that would not be, but in a course of time, practicable in this, where the people have been so little accustomed to taxes, it may be doubted whether it would be possible to raise the same proportion of revenue here. The object of the war, I imagine, would supply the want of habit, and reconcile the minds of the people to paying to the utmost of their abilities, provided the taxes were judiciously imposed, and the revenues wisely administered. Besides this, there is a circumstance in our favor, which puts it in the power of government to raise an equal proportion of revenue without burthening the lower classes of the people in the same degree as in Europe. This circumstance is the much greater equality of fortunes, by which means men, in this country, may be made to contribute to the public exigencies in a much juster proportion to their property; and this is in fact the case. In France the rich have gained so entire an ascendant, that there is a constant sacrifice of the ease and happiness of the people to their avarice and luxury: their burthens are in no proportion to those of the middle order, and still less to those of the poor. In England and Holland the case, though not altogether, is in a great measure the same. There are also men of very large moneyed capitals, which were either formerly exempt from

taxes by being in the public funds; or, having no visible representative for taxation to operate upon, enjoy virtually the same advantages. But if, at the commencement of the war, the ability of these States for revenue may be rated at seven and a half millions of dollars, when the amount of its circulating cash was thirty millions, now that it is reduced more than one half in real value, to what revenue are they to be supposed equal at this time? I should judge about one fifth less, and not more.

The diminution of our circulating cash is principally artificial. It is true, our foreign commerce has declined by the war, but our domestic commerce has increased. I know of no good reason to believe, that the quantity of labor and commodities have been materially diminished. Our exports have lessened, but our internal consumption has augmented. The men employed in the army, and in the departments connected with it, consume and waste three times as much as the same number of men in civil life. A number of husbandmen have been taken from their ploughs into military service; but the progress of our natural population has, in part, supplied their place; and the demands of the war have increased individual industry. The great influx of money at first operated upon the avarice of the people, and, for a long time, served also as a stimulus to industry, which taxation has since kept up on the principle of necessity. Notwithstanding the demands and competitions of two armies for supplies, we see that corn, which is the staple of these Middle States, is cheaper than for

some years before the war; a strong argument of plenty.

We may infer from all this, that we stand in need now of nearly the same quantity of medium for our circulation as before the war. The depreciation of the money below the standard is to be attributed to a want of confidence rather than to a decay of resources. We find the people, in some of the States, distressed to pay their taxes for want of money, with ample means otherwise; which is a proof, that our current cash is not a competent representative of the labor and commodities of the country. Another proof of the same nature is, that particular States which have found no small difficulty in collecting their pecuniary taxes, have been successful in raising contributions to a large amount in kind.

This country never having been a country of manufactures, the productions of the soil were, as they still are, the principal source of revenue. The inhabitants have abridged their wants of foreign articles, from the scarcity of them, and have, in part, supplied their place by home manufactures, which, being chiefly conducted by the women, take nothing from the labor appropriated to agriculture, while it enables the farmer to spare a larger portion of his income to the public.

Whatever diminution our means of revenue may have suffered, must be accounted for on the decay of foreign trade, and on the loss of territory. The imposts on trade in Great Britain amounted to about a fourth of its total revenue. The proportion must be less in America. But suppose it to be the same;

suppose our external commerce to be reduced one half, which I believe is an ample allowance, then one eighth should be deducted from our revenue on this account; which would bring it down to six millions five hundred and sixty-two thousand five hundred dollars. Allow for the loss of Georgia and South Carolina one eighth of this sum; this would reduce the income of the remaining States to five millions seven hundred and forty-two thousand one hundred and eighty-eight and four eighths dollars. But as the allowance in both cases is large, the diminution I have already supposed, of one fifth of the whole, appears to be nearest the truth; which leaves these States with a net revenue of six millions of dollars.

We will now examine how far this rule agrees with experience, and with what has already been effected in these States. Massachusetts may serve as a criterion. This is one of the States where taxation has been carried furthest. Taxes were so heavy last year, that I am informed there were real marks of distress among some classes of the people. The Legislature, in their late address, tell us that they amounted to six hundred thousand pounds lawful; and they appear to have thought the pressure of them too great, by reducing them at a time when they are obliged to have recourse to a large loan to answer the exigencies of the current year.

The taxes they specify, which seem to belong to those of the present year, with the addition of the bounties for raising men, and the beef supply, may be estimated at near five hundred thousand pounds.

This State is in a different situation from any other. Its position has made it impossible for the enemy to intercept its trade; while that of all the others has been greatly injured or totally obstructed. It has become, in consequence, the mart of the States northward of Pennsylvania; and its commerce has enlarged itself much beyond its former limits. A great part of the money expended for the support of the war has been disbursed there. Congress, in their requisitions for money, have rated the quota of Massachusetts at [1] of the whole; but I believe its ability, at this time, is in the proportion of one fifth. I found this estimation on an impartial comparison of the circumstances of the several States.

Admitting the proportion to be just, and taking the taxes of the present year as a standard, the gross amount of our collective revenues would be two millions five hundred thousand pounds lawful; or eight millions three hundred and thirty-three thousand three hundred and thirty-three and one third dollars. The expense of collection, in England, is about one ninth of the gross amount; and considering that our revenue is to be raised in eleven different governments, each having a complete set of collectors of its own, the expense of collection, with us, will in all probability be not much less than it is in England. Supposing it to be the same, and that the taxes were to prove as productive as their normal amount,

[1] This blank is in the original, and as the quota of Massachusetts seems to have varied from a seventh to a ninth it cannot be filled precisely. See Journals of Continental Congress.

our net revenue would then be seven millions four hundred and seven thousand four hundred and eight and one half dollars; which considerably exceeds what it ought to be by my first calculation.

But there are considerations which may induce us to make large deductions from this sum. When the Legislature tells us, that the taxes of last year amounted to six hundred thousand pounds, it also tells us that there was *a part* of them still to be levied; which, among other things, had occasioned them to postpone the next tax to a future session. Whatever is due on the last year may be considered, in effect, as an anticipation on the taxes of the present; for it takes off so much from the ability of the people to pay them. The chances are, that the additional impositions projected for the current year will not be raised in their full extent. Taxes are seldom or never so productive as their estimated value; and in a case like this, must be expected to be more than commonly deficient.

It is to be observed, also, that the last year was a year of peculiar exertion. There was a general expectation of some attempt, in conjunction with our allies, decisive of the war. This made the people strain their efforts beyond their natural abilities; and yet they did not comply with the demands of the Legislature.

The money for the bounties this year, which I have calculated at sixty thousand pounds,[1] may, in like

[1] It is to be feared, too, that this sum is rated too high. Hitherto we have not four hundred men from that State, nor very promising accounts of those which may be expected.

manner, be regarded as an extraordinary and special contribution, which the people may be willing to submit to, over and above what they could probably afford to pay, to get rid of the insupportable inconvenience of temporary enlistments.

Reasonable deductions on these accounts being made, will bring the two calculations to a pretty exact agreement, and make them confirm each other. But were not this the case, I should be inclined, in preference, to trust the first, as being founded on a basis better known and better ascertained by experience. I believe, however, we may safely conclude, from both, that between six and seven millions of dollars is the proper revenue of these States, after the dismemberment of South Carolina and Georgia.

Having formed an estimate of our ability for revenue, the next thing to be ascertained is the annual expense of our civil and military establishments. With tolerable economy, I should suppose two millions and a half of dollars would amply suffice for the first, including the particular administration of each State. For the second, judiciously managed, eight millions of dollars would be adequate, calculating for an army of twenty thousand men, which are as many as we shall stand in need of, or be able [1] to raise. Eleven millions of dollars

[1] The proportion of the European armies, in general, to the national population, is calculated at one to a hundred. By this rule, supposing our population to be two and a half millions, our armies ought to consist of twenty-five thousand men; but the proportion will naturally be less in this country. Our population is more diffused: there is a greater facility of procuring subsistence, fewer poor and consequently fewer of that class of men whose habits, tempers, and circumstances lead them to embrace the military life, than in any other country in

will be then the amount of the annual expenses of these States. I speak on a supposition that a system were embraced, well adapted to rescuing our affairs from the chaos in which they are now involved; and which, while it continues, must baffle all calculation.

The difference between our revenues and expenses, on the preceding scale, will be from four to four and a half millions of dollars; which deficiency must of course be supplied by credit, foreign or domestic, or both.

With regard to credit abroad, I think we have little chance of obtaining a sufficiency, nearly to answer our purpose. France, by all the reforms she can make in her interior economy, by all the means she can procure in loans and lotteries, in

the world. Hence it is, I say, twenty thousand men are as many as we shall be able to raise. Experience justifies this opinion. In the first paroxysms of enthusiasm our armies were larger. I believe, at particular periods, we have had more than thirty thousand men in the field: but our force has every year diminished, and has been for two years past below the standard I have assigned. Immense efforts have been made to procure men, but they have not been able to produce more. This shows that our military system is still susceptible of great reforms in favor of economy; but we dare not make them, because we cannot pay the army. I also said, twenty thousand men would be as many as we should stand in need of. The enemy have now less than this number within the States; and cannot, in the future progress of the war, have more.

An equal force, with the occasional aid of the militia, will confine them within one or two capital points; and this will be their defeat. But we have a further resource in the troops of our allies. We must not dream of decisive enterprises, unless our allies will assist us with twelve or fifteen thousand land troops, and an undisputed maritime superiority. Then, with the aid of the militia, drawn out for a few months, we may undertake and succeed. Our true policy, in the meantime, is, to endeavor to form a solid compact force, proportioned to our necessities.

addition to her revenue, can do little more than satisfy her own wants. The death of the Empress Queen, and the notorious hostility of the Emperor, will add to the number of these. She will, in all probability, be obliged to pay greater attention to her army, which has been neglected, for several years past, to apply all the resources of the kingdom to the improvement of the navy. Though Russia and Prussia, by the last advices, seemed disposed to control the ill-humor of the Emperor, France will hardly think it prudent to leave herself in a defenceless condition, relying on the precarious friendship and momentary interests of other powers. The increase of her army will necessarily increase her expenses, as she cannot, in the present state of things, retrench any thing from the navy; and of course she will have less money to spare to allies. It has been observed, that France has hitherto imposed none of the additional taxes usual in time of war; by doing which, it is imagined she would have it in her power, not only to supply her own wants better, but to contribute largely to ours. To this it has been answered, with great appearance of reason, that the credit of the financier very much depends on his having such a resource in reserve, which, being considered as a means he may command, when necessary, to fulfil his engagements, disposes moneyed men to lend to him with the greater freedom and confidence. The breaking in upon that resource, therefore (it is said), would injure credit, and obstruct loans in a degree that could not be compensated by the direct value of the revenue it would furnish.

Upon the whole, however, from a variety of siftings and inquiries, I should be mistaken if France did not lend this country eight or ten millions of livres annually, during the war; provided its finances were once put upon a reasonable footing: but this is not above a third of our wants.

I find no reason to flatter ourselves that we have much to expect either from the ability or inclination of Spain. Her government is far from being so rich as is vulgarly imagined. The mines of South America, of late years, have been less liberal of their profits; and, for fear of accidents, but a small part of their product, since the war, has been imported into Europe. The extreme indolence of the Spaniards, and their neglect of agriculture, manufactures, and trade, make them tributary to their more industrious neighbors, who drain them of their precious metals as fast as they arrive.

But if they were heartily disposed to do it, they might still afford us some assistance. Their conduct hitherto has manifested no such disposition; it has been as cold and reserved as it could well be. The bills drawn upon them have not been rejected, but they have not been paid. Their permitting the residence of a British emissary among them, and the countenance they give him, unprecedented in a state of war, afford just room for a distrust of their intentions, though it may be nothing more than a stroke of policy, to play him off against our negotiators, and make us bid higher for their friendship. Their method of prosecuting the war is passive to a degree that can scarcely be resolved even into Span-

ish supineness, but seems to have a more corrupt original. A bigoted prince, governed by a greedy confessor, is a character on which little dependence can be placed.

'T is not on Spain, then, that we are to build our hopes of any considerable succors in money.

The Dutch Government has of long standing mortgaged all its revenues. Taxation has been carried to a length that admits of little extension. 'T is from its credit with its own citizens that it must derive the means of making war. It has every thing to do. Its fleet is to be in a manner created anew and its land forces to be recruited, having been for some time past suffered to decline very much. It will, therefore, stand in need of all its credit for its own uses. Of course, we have nothing to expect from the government of that country.

The individuals will not have confidence enough in our public councils to embark any considerable part of their fortunes with us on the ordinary principles of a loan. Stronger inducements, the prospect of commercial advantages, securities differing from the mere faith of the United States, must be held out to tempt them to engage far with us. The plan I am going to propose endeavors to conciliate these objects.

As to internal loans, on which, after all, we must chiefly depend, there are two things that operate against them to any large amount: the want of a sufficient number of men with sufficient moneyed capitals to lend the sums required, and the want of

comes. Our affairs grow every day more relaxed and more involved; public credit hastens to a more irretrievable catastrophe; the means for executing the plan are exhausted in partial and temporary efforts. The loan now making in Massachusetts would have gone a great way in establishing the funds on which the bank must stand.

I am aware of all the objections that have been made to public banks; and that they are not without enlightened and respectable opponents. But all that has been said against them only tends to prove that, like all other good things, they are subject to abuse, and, when abused, become pernicious. The precious metals, by similar arguments, may be proven to be injurious. It is certain that the mines of South America have had great influence in banishing industry from Spain, and sinking it in real wealth and importance. Great power, commerce, and riches, or, in other words, great national prosperity, may, in like manner, be denominated evils; for they lead to insolence, an inordinate ambition, a vicious luxury, licentiousness of morals, and all those vices which corrupt government, enslave the people, and precipitate the ruin of a nation. But no wise statesman will reject the good from an apprehension of the ill. The truth is, in human affairs there is no good, pure and unmixed; every advantage has two sides; and wisdom consists in availing themselves of the good, and guarding as much as possible against the bad.

The tendency of a national bank is to increase public and private credit. The former gives power

had recourse to the institution of a bank; and it relieved the national difficulties. We are in the same, and still greater, want of a sufficient medium. We have little specie; the paper we have is of small value, and rapidly descending to less: we are immersed in a war for our existence as a nation, for our liberty and happiness as a people: we have no revenues and no credit. A bank, if practicable, is the only thing that can give us either the one or the other.

Besides these great and cardinal motives to such an institution, and the advantages we should enjoy from it, in common with other nations, our situation, relatively to Europe and to the West Indies, would give us some peculiar advantages.

Nothing is more common than for men to pass from the abuse of a good thing, to the disuse of it. Some persons, disgusted by the depreciation of the money, are chimerical enough to imagine it would be beneficial to abolish all paper credit, annihilate the whole of what is now in circulation, and depend altogether upon our specie, both for commerce and finance. This scheme is altogether visionary, and in the attempt would be fatal. We have not a competent stock of specie in this country, either to answer the purposes of circulation in trade, or to serve as a basis for revenue. The whole amount of what we have, I am persuaded, does not exceed six millions of dollars, one fifth of the circulating medium before the war. To suppose this would be sufficient for the operations of commerce, would be to suppose that our domestic and foreign

commerce were both reduced four fifths: a supposition that carries absurdity on the face of it. It follows that if our paper money were destroyed, a great part of the transactions of traffic must be carried on by barter; a mode inconvenient, partial, confined, destructive both of commerce and industry. With the addition of the paper we now have, this evil exists in too great a degree.

With respect to revenue, could the whole of our specie be drawn into the public treasury annually, we have seen that it would be little more than one half of our annual expense. But this would be impracticable; it has never been effected in any country. Where the numerary of a country is a sufficient representative, there is only a certain proportion of it that can be drawn out of daily circulation; because, without the necessary quantity of cash, a stagnation of business would ensue. How small, then, would be the proportion of the six millions (in itself so unequal a representative) which the public would be able to extract in revenue. It must either have little or no revenue, or it must receive its dues in kind; on the inefficacy and inconveniences of which mode, I have already remarked. The necessity for it, in part, unhappily now has place, for the cause assigned, a deficiency of current cash: but were we to establish it as our principal dependence, it would be impossible to contrive a mode less productive to the public, more contrary to the habits and inclinations of the people, or more baneful to industry.

But waiving the objections on this head, there

would still remain a balance of four millions of dollars more than these States can furnish in revenue, which must be provided for the yearly expense of the war. How is this to be procured without a paper credit, to supply the deficiency of specie, and enable the moneyed men to lend? This question, I apprehend, will be of no easy solution.

In the present system of things, the health of a State, particularly a commercial one, depends on a due quantity and regular circulation of cash, as much as the health of an animal body depends upon the due quantity and regular circulation of the blood. There are indisputable indications that we have not a sufficient medium; and what we have is in continual fluctuation. The only cure to our public disorders, is to fix the value of the currency we now have, and increase it to a proper standard, in a species that will have the requisite stability.

The error of those who would explode paper money altogether, originates in not making proper distinctions. Our paper was, in its nature, liable to depreciation, because it had no funds for its support, and was not upheld by private credit. The emissions under the resolution of March, '80, have partly the former advantage, but are destitute of the latter, which is equally essential. No paper credit can be substantial, or durable, which has no funds, and which does not unite, immediately, the interest and influence of the moneyed men, in its establishment and preservation. A credit begun on this basis, will, in process of time, greatly exceed its funds: but this requires time and a well-settled

opinion in its favor. 'T is in a national bank, alone, that we can find the ingredients to constitute a wholesome, solid, and beneficial credit.

I am aware that, in the present temper of men's minds, it will be no easy task to inspire a relish for a project of this kind: but much will depend on the address and personal credit of the proposer. In your hands I should not despair: and I should have the greater hopes for what I am informed appeared to be the disposition, at the promulgation of the plan for a loan in Massachusetts. The men of property in America are enlightened about their own interest, and would easily be brought to see the advantages of a good plan. They ought not to be discouraged at what has happened heretofore, when they behold the administration of our finances put into a better channel. The violations of public engagements, hitherto, have proceeded more from a necessity produced by ignorance and mismanagement, than from levity or a disregard to the obligations of good faith.

Should the success, in the first instance, not be as complete as the extent of the plan requires, this should not hinder its being undertaken. It is of the nature of a bank, wisely instituted, and wisely administered, to extend itself, and, from small beginnings, grow to a magnitude that could not have been foreseen.

The plan I propose requires a stock of three millions of pounds, lawful money; but if one half the sum could be obtained, I should entertain no doubt of its full success. It now remains to submit my

ART. III. The bank to be erected into a legal corporation; to have all the powers and immunities requisite to its security, to the recovery of its debts, and to the disposal of its property.

REMARK 3. This Article needs no illustration.

ART. IV. The stock of the bank not to be liable to any attachment or seizure whatsoever; but, on refusal of payment, the holders of bank-notes, or bonds, may enter suit against any member, or members, of the corporation; and, as far as their respective shares in the bank extend, recover the debt, with cost and damages, out of their private property.

REMARK 4. The first part of this regulation is necessary to engage foreigners to trust their property in the bank; the latter part to give an idea of security to the holders of bank-notes.

ART. V. The United States, or any particular States, or foreigners, may become subscribers to the bank, and participate in its profits, for any sums not exceeding the whole half the stock.

REMARK 5. This will link the interests of the public more intimately with the bank, and be an easy method of acquiring revenue. It will also facilitate the making up its stock by the loans which Congress may obtain abroad; without which it would be more difficult to raise so large a sum. It is essential the stock should be large, because, in proportion to it, will be the credit of the bank, and of course its ability to lend and enlarge its paper emissions. The admission of foreigners will also assist the completing the stock; and it is probable many may

be induced to enter into the plan, especially after it has made some progress among ourselves, and obtained a degree of consistency.

The sum is limited to one half the stock, because it is of primary importance that the moneyed men among ourselves should be deeply interested in the plan.

ART. VI. The United States, collectively and particularly, to become responsible for all the transactions of the bank, conjointly with the private proprietors.

REMARK 6. This mode of pledging the public faith makes it as difficult to be infringed as could possibly be devised. In our situation it is expedient to offer every appearance of security. Foreigners are more firmly persuaded of the establishment of our independence than of the continuance of our union; and will, therefore, have more confidence in the States bound separately than collectively. Individuals among ourselves will be influenced by similar considerations.

ART. VII. The bank to issue notes payable at sight in pounds, shillings, and pence, lawful; all of twenty shillings, and under, to bear no interest; all above, to bear an interest not exceeding four per cent. The notes to be of so many denominations as may be judged convenient for circulation, and of two kinds; one payable only in America, the other payable either in America or in any part of Europe where the bank may have funds. The aggregate of these notes never to exceed the bank stock.

REMARK 7. The reason of having them payable at sight is to inspire the greater confidence and give them a

readier currency; nor do I apprehend there would be any danger from it. In the beginning some may be carried to the bank for payment, but finding they are punctually discharged, the applications will cease. The notes are payable in pounds, shillings, and pence, rather than in dollars, to produce an illusion in the minds of the people favorable to the new paper; or rather to prevent their transferring to that their prejudices against the old. Paper credit depends much on opinion, and opinion is often guided by outside appearances. A circumstance trivial as this may seem, might have no small influence on the popular imagination. And if twenty shillings, and under, are without interest, because such small sums will be diffused in the lesser transactions of daily circulation, there will be less probability of their being carried to the bank for payment.

The interest on the larger notes is calculated to give them a preference to specie, and prevent a run upon the bank. The notes, however, must be introduced by degrees, so as not to inundate the public at once. Those bearing no interest ought not to be multiplied too much at first; but as the interest is an abridgment of the profits of the bank, after the notes have gained an unequivocal credit, it will be advantageous to issue a large proportion of the smaller ones. At first, the interest had best be at four per cent., to operate the more effectually as a motive; afterward, on the new notes, it may be gradually diminished; but it will always be expedient to let them bear an interest not less than two per cent.

The making some of the notes payable in Europe as well as in America, is necessary to enable the bank to avail itself of its funds there; it will also serve to raise the demand for bank-notes, by rendering them useful in foreign commerce, the promoting which is a further inducement.

The limiting the aggregate of the notes to the amount of the stock, is necessary to obviate a suspicion of their being multiplied beyond the means of redemption.

ART. VIII. The bank to lend money to the public, or to individuals, at an interest not exceeding eight per cent.

REMARK 8. In the beginning it will be for the advantage of the bank to require high interest, because the money is in great demand, and the bank itself will want the principal part of its cash for the loans stipulated in Article XIII., and for performing the contracts authorized by Article XII.; so that the profits will not, for some time, turn materially on the principle of loans, except that to the public. But when the contracts cease, the bank will find its advantage in lending, at a moderate interest, to secure a preference from borrowers, which will, at the same time, promote commerce; and by a kind of mutual reaction, the bank will assist commerce, and commerce will assist the bank.

ART. IX. The bank to have liberty of borrowing, on the best terms it can, to the amount of one half of its stock.

REMARK 9. This is a precaution against a sudden run. It may borrow in proportion to what it pays. It has another advantage: at particular conjunctures the bank may borrow at a low interest, and lend, at others, at a higher.

ART. X. The bank to have liberty of purchasing estates by principal, or by annuities; the power of coining to the amount of half its stock, the quantity

of alloy, etc., being determined by Congress; also the power of discounting bills of exchange.

REMARK 10. This privilege of purchasing estates will be a very valuable one. By watching favorable opportunities, with so large a capital, vast property may be acquired in this way. There will be a fine opening at the conclusion of the war. Many persons disaffected to our independence, who have rendered themselves odious without becoming obnoxious to the laws, will be disposed to sell their estates here, either for their whole value, or for annuities in Europe. The power of coining [1] is necessary, as plate, or bullion, is admitted instead of specie; and it may be, on particular occasions, expedient to coin them; this will be a small resource to the bank. The power of discounting bills of exchange will be a considerable one. Its advantages will consist in purchasing, or taking up for the honor of the drawer, when the security is good, bills of exchange at so much per cent. discount. A large profit might be now made in this way on the bills drawn on France; and hereafter, in times of peace, when commerce comes to flourish, this practice will promote the transactions of the several States with each other, and with Europe, and will be very profitable to the bank.

ART. XI. The bank to receive from individuals deposits of any sums of money, to be repaid when called for, or passed, by order, to the credit of others; or deposits of plate, paying a certain annual rate for safe-keeping. Whatever is deposited in the bank, to be exempt from taxes.

[1] It may, perhaps, not be impossible to make some profitable speculations on the bullion which the Spaniards are afraid to transport from South America to Europe.

neither very skilful nor very honest: competitions, frauds, and additional expense, are the consequences.

Congress could not hesitate on their part, as the amount of the contracts would be a part of the loan required in Article XIII.

ART. XIII. The bank to lend Congress one million two hundred thousand pounds, lawful, at eight per cent. interest; for the payment of which, with its interest, a certain unalienable fund of one hundred and ten thousand four hundred pounds per annum, to be established for twenty years. The States, generally and severally, to pledge themselves for this sum, and for the due appropriation of the fund. Congress to have a right, at any intermediate period, to pay off the debt, with the interest to the time of payment. The same rule to govern in all future loans.

REMARK 13. This loan will enable Congress to get through the expenses of the year. There may be a small deficiency, but this will be easily supplied. The credit of the bank once established, it may increase its stock, and lend an equal sum every year during the war. This loan may be advanced, partly in a contract for provisions, clothing, etc., and partly in cash, at periodical payments, to avoid a too quick multiplication of bank-notes.

ART. XIV. The bank to become responsible for the redemption of all the paper now emitted; the old, at forty for one in thirty years, the new at par, with gold and silver, according to the terms promised by Congress in their resolution of March, '80. One third of the first to be redeemed at the end of

lions of dollars. This is what the bank is to become answerable for, and what the public is to pay, by an annuity of thirty years, with two per cent. interest. This annuity would amount to six hundred and eleven thousand three hundred and thirty-three and one third dollars, for which funds are to be provided.

By a rough calculation, I find that the bank would gain, in the thirty years, about three millions of dollars, on the simple footing of interest; and that it will, at different periods, have more public money in its posesssion than it will be in advance at others; so that, upon the whole, the sum it will gain in interest will be for the loan of its credit to the public, not of any specific sum of cash. Besides, the interest of the bank may gain a very considerable sum by the purchases it may make of the old paper at its current value, before the influence of this plan has time to bring it back to the point at which it is intended to be fixed.[1] It is the obvious interest of the United States to concur in this plan, because, by paying three millions of dollars in interest to the bank, more than it would have to pay to the money-holders, agreeably to its present engagements, it would avoid a new breach of faith, fix its circulating medium increased in value more than one half, render the taxes more productive, and introduce order into its finances, without which our independence is lost. It will also have only about two thirds of the funds to establish for this plan that are required by the act of March, '80, to discharge the new bills; it will, of course, reserve a large balance toward the current expenses, which is no insignificant consideration.

Perhaps it may be imagined that the same funds

[1] There is another immense consideration. The proprietors of the bank will be the holders of a great part of this paper. They have it in their power to double the value of it by this plan, which is, in other words, to gain a hundred per cent.

established for the redemption of the money in the same time, without passing through the bank, would have an equal effect upon its credit, and then we should save the interest of two per cent. Experience proves the contrary. We find the new notes depreciating in the States which have provided good funds. The truth is, there is not confidence enough in any funds merely public. The responsibility of the bank would beget a much stronger persuasion of the paper being redeemed, and have incomparably more efficacy in raising and confirming its credit. Besides, the bank might immediately reduce the quantity by purchase, which the public could not do.

It will be observed that of the six millions of dollars which constitute our annual revenue, I require nine hundred and seventy-nine thousand three hundred and thirty-three and one third dollars, in funds, to reimburse the loan for the first year, and pay off the annuity for the redemption of the old paper. It may be asked, where these funds are to be procured in the present impotence of our Federal Government. I answer, there are ample means for them, and they must be had. Congress must deal plainly with their constituents. They must tell them that power without revenue is a bubble; that unless they give them substantial resources of the latter, they will not have enough of the former either to prosecute the war or to maintain the Union in peace; that, in short, they must, in justice to the public and to their own honor, renounce the vain attempt of carrying on the war without either, a perseverance in which, can only deceive the people, and betray their safety. They must demand an instant, positive, and perpetual investiture of an impost on trade; a land tax and a poll tax, to be collected by their own agents. This act to become a part of the Confederation.

It has ever been my opinion that Congress ought to

REMARK 17. This is chiefly to prevent some speculative men being alarmed, who, upon the whole, may think a paper credit detrimental and dangerous, though they would be willing, from necessity, to encourage it for a limited time. Experience, too, may show the defects of this plan, and give rise to alterations for the better.

ART. XVIII. No other bank, public or private, to be permitted during that period.

REMARK 18. Other banks might excite a competition prejudicial to the interests of this, and multiply and diversify paper credit too much.

ART. XIX. Three banks to be erected in Massachusetts, Pennsylvania, and Virginia, to facilitate the circulation and payment of the bank-notes.

REMARK 19. These banks ought to be in the interior of the country, remote from danger, with every precaution for their security in every way. Their distance from the capital trading points will be an advantage, as it will make applications for the payment of bank-notes less convenient.

ART. XX. The affairs of the bank to be managed by twelve general directors, men of reputation and fortune; eight of them to be chosen by the private proprietors, and four by Congress. The Minister of Finance to have the privilege of inspecting all their proceedings.

REMARK 20. It is necessary, for reciprocal security of the public, the proprietors, and the people, that the affairs of the bank should be conducted under a joint direction.

These, as has been already observed, are only intended as outlines; the form of administration for the bank, and all other matters, may be easily determined, if the leading principles are once approved. We shall find good models in the different European banks, which we can accommodate to our circumstances. Great care, in particular, should be employed to guard against counterfeits; and I think methods may be devised that would be effectual.

I see nothing to prevent the practicability of a plan of this kind, but a distrust of the final success of the war, which may make men afraid to risk any considerable part of their fortunes in the public funds; but, without being an enthusiast, I will venture to assert, that, with such a resource as is here proposed, the loss of our independence is impossible. All we have to fear is, that the want of money may disband the army, or so perplex and enfeeble our operations as to create in the people a general disgust and alarm, which may make them clamor for peace on any terms. But if a judicious administration of our finances, assisted by a bank, takes place, and the ancient security of property is restored, no convulsion is to be apprehended. Our opposition will soon assume an aspect of system and vigor, that will relieve and encourage the people, and put an end to the hopes of the enemy. 'T is evident that they have it not in their power to subdue us by force of arms. In all these States they have not more than fifteen thousand effective troops, nor is it possible for them much to augment this number. The East and West Indies demand reinforcements. In all the

most indispensable. This would comprehend the concerns of the bank; and if, unfortunately for our virtue, such a circumstance could operate as an inducement, it might be added that our enemies would be glad to find and to encourage such an institution among us for their own benefit.

A question may arise concerning the abilities of these States to pay their debts after the establishment of their independence; and though any doubt on this head must originate from gross ignorance, it may be necessary to oppose it with more than general argument, as has been done heretofore. A very summary and obvious calculation will show that there is nothing to be dreaded on this head.

The funds of nine hundred and seventy-nine thousand three hundred and thirty-three and one third dollars, proposed to be established for paying off the loan of the first year and for redeeming the present paper, will in thirty years wipe off all the debts of the States, except those contracted to foreigners, which, I imagine, do not amount to four millions of dollars. Suppose we should be obliged, for two years besides the present, to borrow an equal sum each year from the bank; the fund requisite to discharge these loans, on the same terms as the first, will amount to seven hundred and thirty-six thousand dollars, to be deducted from the five million and twenty thousand six hundred and sixty-six and two thirds dollars remaining on the annual revenue, which will reduce it to four millions two hundred and eighty-four thousand six hundred and sixty-six and two thirds dollars; then the debt unfunded will be:

To foreigners already contracted by supposition	$4,000,000
Deficiency of revenue to the expense to be obtained on credit, the first year, besides the loan from the bank . .	1,479,333⅓
Deficiency of revenue for the second year, deducting the fund for discharging the loan of this year	1,847,333⅓
Deficiency of revenue for the third year, making the same deduction . .	2,215,333⅓
	$9,542,000

Should, then, the war last three years longer, which must probably be the utmost term of its duration, we shall find ourselves with an unfunded debt of nine million five hundred and forty-two thousand dollars, and an unappropriated revenue of four million two hundred and eighty-four thousand six hundred and sixty-six and two thirds dollars.

The surplus of four millions, which is two hundred and eighty-four thousand six hundred and sixty-six and two thirds dollars, and the funds appropriated to the payment of the other debts which will revert to the public at the end of thirty years, will be a sufficient fund for the redemption of this debt in about thirty-five years; so that, according to my plan, at the end of thirty-five years these States have paid off the whole debt contracted on account of the war; and, in the meantime, will have a clear revenue of four millions of dollars for defraying the expenses of their civil and military establishments.

This calculation supposes the ability of these States for revenue to continue the same as they now are, which is a supposition both false and unfavor-

able. Speaking within moderate bounds, our population will be doubled in thirty years; there will be a confluence of emigrants from all parts of the world, our commerce will have a proportionable progress, and of course our wealth and capacity for revenue. It will be a matter of choice if we are not out of debt in twenty years, without at all encumbering the people.

A national debt, if it is not excessive, will be to us a national blessing. It will be a powerful cement of our Union. It will also create a necessity for keeping up taxation to a degree which, without being oppressive, will be a spur to industry, remote as we are from Europe, and shall be from danger. It were otherwise to be feared our popular maxims would incline us to too great parsimony and indulgence. We labor less now than any civilized nation of Europe; and a habit of labor in the people is as essential to the health and vigor of their minds and bodies, as it is conducive to the welfare of the state. We ought not to suffer our self-love to deceive us in a comparison upon these points.

I have spun out this letter to a much greater length than I intended. To develop the whole connection of my ideas on the subject, and place my plan in the clearest light, I have indulged myself in many observations which might have been omitted. I shall not longer intrude upon your patience than to assure you of the sincere sentiments of esteem with which I have the honor to be,

Sir, your most obedient and humble servant,

A. Hamilton.

tion of those to whom it is immediately addressed would render superfluous.

It is a fact, well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successively obtained in Italy, Germany, Holland, England, and France, as well as in the United States. And it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that after an experience of centuries, there exists not a question about their utility in the countries in which they have been so long established. Theorists and men of business unite in the acknowledgment of it.

Trade and industry, wherever they have been tried, have been indebted to them for important aid, and government has been repeatedly under the greatest obligations to them in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

With this twofold evidence before us, it might be expected that there would be a perfect union of opinions in their favor. Yet doubts have been entertained; jealousies and prejudices have circulated; and, though experience is every day dissipating them, within the spheres in which effects are best known, yet there are still persons by whom they have not been entirely renounced. To give a full and accurate view of the subject, would be to make

never attended with difficulty, when the affairs of the institution are in a prosperous train. His money, thus deposited or invested, is a fund upon which himself and others can borrow to a much larger amount. It is a well-established fact, that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver. The extent of the possible excess seems indeterminate; though it has been conjecturally stated at the proportions of two and three to one. This faculty is produced in various ways. 1st. A great proportion of the notes which are issued, and pass current as cash, are indefinitely suspended in circulation, from the confidence which each holder has, that he can, at any moment, turn them into gold and silver. 2dly. Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower, frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing in every stage the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently

through a variety of hands, without the intervention of a single piece of coin. 3dly. There is always a large quantity of gold and silver in the repositories of the bank, besides its own stock, which is placed there, with a view partly to its safe-keeping, and partly to the accommodation of an institution which is itself a sort of general accommodation. These deposits are of immense consequence in the operations of a bank. Though liable to be redrawn at any moment, experience proves, that the money so much oftener changes proprietors than place, and that what is drawn out is generally so speedily replaced, as to authorize the counting upon the sums deposited, as an *effective fund*, which, concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of those loans, or arising from the occasional return of its notes.

These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin is acquired. This, however, must be gradual, and must be preceded by a firm establishment of confidence—a confidence which may be bestowed on the most rational grounds, since the excess in question will always be bottomed on good security of one kind or another. This, every well-conducted bank carefully requires, before it will consent to advance either its money or its credit, and where there is an auxiliary capital (as will be the case in the plan hereafter submitted), which, together with the capital in coin, defines the boundary that shall not be exceeded by the engage-

ments of the bank, the security may, consistently with all the maxims of a reasonable circumspection, be regarded as complete.

The same circumstances illustrate the truth of the position, that it is one of the properties of banks to increase the active capital of a country. This, in other words, is the sum of them: the money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe-keeping, or invested in its stock, is in a condition to administer to the wants of others, without being put out of his own reach when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it, and keeps the money itself in a state of incessant activity. In the almost infinite vicissitudes and competitions of mercantile enterprise, there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are, to all purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus, by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth—a consequence as satisfactorily verified by experience, as it is clearly deducible in theory.

Secondly.—Greater facility as to the government in obtaining pecuniary aids, especially in sudden emergencies. This is another and an undisputed advantage of public banks—one which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious: the capitals of a great number of individuals are, by this operation, collected to a point, and placed under one direction. The mass formed by this union, is, in a certain sense, magnified by the credit attached to it; and while this mass is always ready, and can at once be put in motion, in aid of the government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances as can in prudence be desired. There is, in the nature of things, as will be more particularly noticed in another place, an intimate connection of interest between the government and the bank of a nation.

Thirdly.—The facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the bank, can have the assistance of loans, to answer, with punctuality, the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid by those who reside where establishments of this nature exist. This, however, though an extensive, is not a universal, benefit. The other way in which the effect here contemplated is produced, and in which the benefit is general, is the increasing of the quantity of circulating medium, and the quickening of circulation.

The manner in which the first happens has already been traced. The last may require some illustration. When payments are to be made between different places having an intercourse of business with each other, if there happen to be no private bills at market, and there are no bank-notes which have a currency in both, the consequence is, that coin must be remitted. This is attended with trouble, delay, expense, and risk. If, on the contrary, there are bank-notes current in both places, the transmission of these by the post, or any other speedy or convenient conveyance, answers the purpose; and these again, in the alternations of demand, are frequently returned, very soon after, to the place from which they were first sent: whence the transportation and re-transportation of the metals are obviated, and a more convenient and more expeditious medium of payment is substituted. Nor is this all; the metals, instead of being suspended from their usual functions during this process of vibration from place to place, continue in activity, and administer still to the ordinary circulation, which, of course, is prevented from suffering either diminution or stagnation. These circumstances are additional causes of what, in a practical sense, or to the purposes of business, may be called greater plenty of money. And it is evident, that whatever enhances the quantity of circulating money, adds to the ease with which every industrious member of the community may acquire that portion of it of which he stands in need, and enables him the better to pay his taxes, as well as to supply his other wants.

Even where the circulation of the bank paper is not general, it must still have the same effect, though in a less degree. For, whatever furnishes additional supplies to the channels of circulation in one quarter, naturally contributes to keep the streams fuller elsewhere. This last view of the subject serves both to illustrate the position that banks tend to facilitate the payment of taxes, and to exemplify their utility to business of every kind in which money is an agent.

It would be to intrude too much on the patience of the House, to prolong the details of the advantages of banks; especially as all those which might still be particularized are readily to be inferred as consequences from those which have been enumerated. Their disadvantages, real or supposed, are now to be reviewed. The most serious of the charges which have been brought against them are:

That they serve to increase usury;

That they tend to prevent other kinds of lending;

That they furnish temptations to overtrading;

That they afford aid to ignorant adventurers, who disturb the natural and beneficial course of trade;

That they give to bankrupt and fraudulent traders a fictitious credit, which enables them to maintain false appearances and to extend their impositions; and, lastly,

That they have a tendency to banish gold and silver from the country.

There is great reason to believe, that, on a close and candid survey, it will be discovered that these charges are either destitute of foundation, or that, as far as the evils they suggest have been found to

exist, they have proceeded from other, or partial, or temporary causes, are not inherent in the nature and permanent tendency of such institutions, or are more than counterbalanced by opposite advantages. This survey shall be had in the order in which the charges have been stated. The first of them is—

That banks serve to increase usury.

It is a truth, which ought not to be denied, that the method of conducting business, which is essential to bank operations, has, among us, in particular instances, given occasion to usurious transactions. The punctuality in payment, which they necessarily exact, has sometimes obliged those who have adventured beyond both their capital and their *credit*, to procure money at any price, and, consequently, to resort to usurers for aid.

But experience and practice gradually bring a cure to this evil. A general habit of punctuality among traders is the natural consequence of the necessity of observing it with the bank—a circumstance which itself more than compensates for any occasional ill which may have sprung from that necessity in the particular under consideration. As far, therefore, as traders depend on each other for pecuniary supplies, they can calculate their expectations with greater certainty; and are in proportionably less danger of disappointments, which might compel them to have recourse to so pernicious an expedient as that of borrowing at usury; the mischiefs of which, after a few examples, naturally inspire great care in all but men of desperate circumstances, to avoid the possibility of being subjected to them.

One, and not the least, of these evils incident to the use of that expedient, if the fact be known, or even strongly suspected, is loss of credit with the bank itself.

The directors of a bank, too, though, in order to extend its business and its popularity in the infancy of an institution, they may be tempted to go further in accommodation than the strict rules of prudence will warrant, grow more circumspect, of course, as its affairs become better established, and as evils of too great facility are experimentally demonstrated. They become more attentive to the situation and conduct of those with whom they deal; they observe more narrowly their operations and pursuits; they economize the credit they give to those of suspicious solidity; they refuse it to those whose career is more manifestly hazardous. In a word, in the course of practice, from the very nature of things, the *interest* will make it the *policy* of a bank to succor the wary and industrious, to discredit the rash and unthrifty, to discountenance both usurious lenders and usurious borrowers.

There is a leading view, in which the tendency of banks will be seen to be to abridge, rather than to promote, usury. This relates to their property of increasing the quantity and quickening the circulation of money. If it be evident, that usury will prevail or diminish according to the proportion which the demand for borrowing bears to the quantity of money at market to be lent, whatever has the property just mentioned, whether it be in the shape of paper or coin, by contributing to render the sup-

ply more equal to the demand, must tend to counteract the progress of usury.

But bank-lending, it is pretended, is an impediment to other kinds of lending; which, by confining the resource of borrowing to a particular class, leaves the rest of the community more destitute, and, therefore, more exposed to the extortions of usurers. As the profits of bank stock exceed the legal rate of interest, the possessors of money, it is urged, prefer investing it in that article to lending it at this rate; to which there are the additional motives of a more prompt command of the capital, and of more frequent and exact returns, without trouble or perplexity in the collection. This constitutes the second charge which has been enumerated.

The fact on which this charge rests is not to be admitted without several qualifications—particularly in reference to the state of things in this country.

First. The great bulk of the stock of a bank will consist of the funds of men in trade, among ourselves, and moneyed foreigners; the former of whom could not spare their capitals out of their reach, to be invested in loans for long periods, on mortgages or personal security; and the latter of whom would not be willing to be subjected to the casualties, delays, and embarrassments of such a disposition of their money in a distant country.

Secondly. There will always be a considerable proportion of those who are properly the money-lenders of a country, who, from that spirit of caution which usually characterizes this description of men, will incline rather to invest their funds in mortgages on

borrowers, within its immediate sphere. A larger supply consequently remains for borrowers elsewhere. In proportion as the circulation of the bank is extended, there is an augmentation of the aggregate mass of money for answering the aggregate mass of demand. Hence greater facility in obtaining it for every purpose.

It ought not to escape without a remark, that, as far as the citizens of other countries become adventurers in the bank, there is a positive increase of the gold and silver of the country. It is true, that, from this, a half yearly rent is drawn back, accruing from the dividends upon the stock. But as this rent arises from the employment of the capital by our own citizens, it is probable that it is more than replaced by the profits of that employment. It is also likely that a part of it is, in the course of trade, converted into the products of our country; and it may even prove an incentive, in some cases, to emigration to a country in which the character of citizen is as easy to be acquired as it is estimable and important. This view of the subject furnishes an answer to an objection which has been deduced from the circumstance here taken notice of, namely, the income resulting to foreigners from the part of the stock owned by them, which has been represented as tending to drain the country of its specie. In this objection the original investment of the capital, and the constant use of it afterwards, seem both to have been overlooked.

That banks furnish temptations to overtrading, is the third of the enumerated objections. This must

pretended; and they add to the instances of partial ills, connected with more extensive and overbalancing benefits.

The practice of giving fictitious credit to improper persons is one of those evils which experience, guided by interest, speedily corrects. The bank itself is in so much jeopardy of being a sufferer by it, that it has the strongest of all inducements to be on its guard. It may not only be injured immediately by the delinquencies of the persons to whom such credit is given, but eventually by the incapacities of others, whom their impositions or failures may have ruined.

Nor is there much danger of a bank's being betrayed into this error from want of information. The directors themselves being, for the most part, selected from the class of traders, are to be expected to possess, individually, an accurate knowledge of the characters and situations of those who come within that description. And they have, in addition to this, the course of dealing of the persons themselves with the bank to assist their judgment, which is, in most cases, a good index of the state in which those persons are. The artifices and shifts which those in desperate or declining circumstances are obliged to employ, to keep up the countenance which the rules of the bank require, and the train of their connections, are so many prognostics, not difficult to be interpreted, of the fate which awaits them. Hence, it not unfrequently happens, that banks are the first to discover the unsoundness of such characters, and, by withholding credit, to announce to the public that they are not entitled to it.

not entirely satisfactory. It is certain that the vivification of industry, by a full circulation, with the aid of a proper and well-regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a nation, if the consequence of avoiding that loss should be a scanty or defective circulation.

But the positive and permanent increase or decrease of the precious metals in the country can hardly ever be a matter of indifference. As the commodity taken in lieu of every other, it is a species of the most effective wealth; and as the money of the world, it is of great concern to the state, that it possess a sufficiency of it to face any demands which the protection of its external interest may create.

The objection seems to admit of another and a more conclusive answer, which controverts the fact itself. A nation that has no mines of its own must derive the precious metals from others; generally speaking, in exchange for the products of its labor and industry. The quantity it will possess will, therefore, in the ordinary course of things, be regulated by the favorable or unfavorable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its wants of them—between the amount of its exportations and that of its importations. Hence, the state of its agriculture and manufactures, the quantity and quality of its labor and industry, must, in the main, influence and determine the increase or decrease of its gold and silver.

If this be true, the inference seems to be, that well-constituted banks favor the increase of the

stability which the public debt is fast acquiring, as well in the public opinion at home and abroad, as in fact; from the augmentation of capital which that circumstance and the quarter-yearly payment of interest will afford; and from the more copious circulation which will be likely to be created by a well-constituted national bank.

The establishment of banks in this country seems to be recommended by reasons of a peculiar nature. Previously to the Revolution, circulation was in a great measure carried on by paper emitted by the several local governments. In Pennsylvania alone the quantity of it was near a million and a half of dollars. This auxiliary may be said to be now at an end. And it is generally supposed that there has been, for some time past, a deficiency of circulating medium. How far that deficiency is to be considered as real or imaginary, is not susceptible of demonstration; but there are circumstances and appearances which, in relation to the country at large, countenance the supposition of its reality.

The circumstances are, besides the fact just mentioned respecting paper emissions, the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former, while it promises ample retribution in the generation of future resources, diminishes or obstructs, in the meantime, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts into its own channels a portion of that species of labor and industry which would otherwise be employed in

a compliance with its desires; and, as the directors will usually be composed of some of the most discreet, respectable, and well-informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

It will not follow, from what has been said, that the state may not be a holder of a part of the stock of a bank, and consequently a sharer in the profits of it. It will only follow that it ought not to desire any participation in the direction of it, and, therefore, ought not to own the whole or a principal part of the stock; for, if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the state to persons not interested, or not enough interested, in their proper management.

There is one thing, however, which the government owes to itself and the community—at least, to all that part of it who are not stockholders—which is, to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank; excluding, however, all pretension to control. This right forms an article in the primitive constitution of the Bank of North America; and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country, if it is even to be tolerated as the substitute for gold and silver in all the transactions of business, it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence require that

under whose administration it shall happen, shall be liable for it in their private or separate capacities. Those who may have dissented may excuse themselves from this responsibility, by immediately giving notice of the fact, and their dissent, to the President of the United States, and to the stockholders, at a general meeting, to be called by the president of the bank, at their request.

7. The company may sell or devise its lands and tenements, or may sell the whole or any part of the public debt, whereof its stock shall consist; but shall *trade* in nothing except bills of exchange, gold and silver bullion, or in the sale of goods pledged for money lent; nor shall take more than at the rate of six per centum per annum, upon its loans or discounts.

8. No loan shall be made by the bank for the use, or on account, of the Government of the United States, or of either of them, to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

9. The stock of the bank shall be transferable, according to such rules as shall be instituted by the company in that behalf.

10. The affairs of the bank shall be under the management of twenty-five directors, one of whom shall be the president; and there shall be, on the first Monday of January, in each year, a choice of directors, by a plurality of suffrages of the stockholders, to serve for a year. The directors, at their first meeting after each election, shall choose one of their number as president.

place where the bank is kept, and specifying in such notice the object of the meeting.

15. In case of the death, resignation, absence from the United States, or removal of a director by the stockholders, his place may be filled by a new choice for the remainder of the year.

16. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders at a general meeting. The stockholders shall make such compensation to the president, for his extraordinary attendance at the bank, as shall appear to them reasonable.

17. Not less than seven directors shall constitute a board for the transaction of business.

18. Every cashier or treasurer, before he enters on the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than twenty thousand dollars, with condition for his good behavior.

19. Half-yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable. And, once in every three years, the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid, after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of profit, if any, after deducting losses and dividends.

20. The bills and notes of the bank, originally made payable, or which shall have become payable,

shall be authorized to cause a subscription to be made to the stock of the said company, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the moneys which shall be borrowed by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States," and the other entitled "An act making provision for the reduction of the public debt"; borrowing of the bank an equal sum, to be applied to the purposes for which the said moneys shall have been procured, reimbursable in ten years, by equal annual instalments, or at any time sooner, or in any greater proportions, that the Government may think fit.

The reasons for the several provisions contained in the foregoing plan have been so far anticipated, and will, for the most part, be so readily suggested by the nature of those provisions, that any comments which need further to be made will be both few and concise.

The combination of a portion of the public debt, in the formation of the capital, is the principal thing of which an explanation is requisite. The chief object of this is to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. As has been elsewhere remarked, the original plan of the Bank of North America contemplated a capital of ter millions of dollars, which is certainly not too broa a foundation for the extensive operations to which national bank is destined. But to collect such sum in this country, in gold and silver, into c

be the *supreme law of the land.* The power which can create the *supreme law of the land* in *any case*, is doubtless *sovereign* as to such case.

This general and indisputable principle puts at once an end to the *abstract* question, whether the United States have power to erect a *corporation;* that is to say, to give a *legal* or *artificial capacity* to one or more persons, distinct from the *natural.* For it is unquestionably incident to *sovereign power* to erect corporations, and consequently to *that* of the United States, in *relation* to the *objects* intrusted to the management of the government. The difference is this: where the authority of the government is general, it can create corporations in *all cases;* where it is confined to certain branches of legislation, it can create corporations *only* in those cases.

Here, then, as far as concerns the reasonings of the Secretary of State and the Attorney-General, the affirmative of the constitutionality of the bill might be permitted to rest. It will occur to the President, that the principle here advanced has been untouched by either of them.

For a more complete elucidation of the point, nevertheless, the arguments which they had used against the power of the government to erect corporations, however foreign they are to the great and fundamental rule which has been stated, shall be particularly examined. And after showing that they do not tend to impair its force, it shall also be shown that the power of incorporation, incident to the government in certain cases, does fairly extend to the particular case which is the object of the bill.

The first of these arguments is, that the foundation of the Constitution is laid on this ground: "That all powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, or to the people." Whence it is meant to be inferred, that Congress can in no case exercise any power not included in those enumerated in the Constitution. And it is affirmed, that the power of erecting a corporation is not included in any of the enumerated powers.

The main proposition here laid down, in its true signification, is not to be questioned. It is nothing more than a consequence of this republican maxim, that all government is a delegation of power. But how much is delegated in each case is a question of fact, to be made out by fair reasoning and construction, upon the particular provisions of the Constitution, taking as guides the general principles and general ends of governments.

It is not denied that there are *implied*, as well as *express powers*, and that the *former* are as effectually delegated as the *latter*. And for the sake of accuracy it shall be mentioned that there is another class of powers, which may be properly denominated *resulting powers*. It will not be doubted that if the United States should make a conquest of any of the territories of its neighbors, they would possess sovereign jurisdiction over the conquered territory. This would be rather a result from the whole mass of the powers of the government, and from the nature of political society, than a consequence of either of the powers specially enumerated.

to. It is a common mode of expression to say, that it is *necessary* for a government or a person to do this or that thing, when nothing more is intended or understood, than that the interests of the government or person require, or will be promoted by, the doing of this or that thing. The imagination can be at no loss for exemplifications of the use of the word in this sense. And it is the true one in which it is to be understood as used in the Constitution. The whole turn of the clause containing it indicates, that it was the intent of the Convention, by that clause, to give a liberal latitude to the exercise of the specified powers. The expressions have peculiar comprehensiveness. They are, "to make all *laws* necessary and proper for *carrying into execution* the *foregoing powers*, and *all other powers* vested by the Constitution in the *Government* of the United States, or in any *department* or *officer* thereof."

To understand the word as the Secretary of State does, would be to depart from its obvious and popular sense, and to give it a restrictive operation, an idea never before entertained. It would be to give it the same force as if the word *absolutely* or *indispensably* had been prefixed to it.

Such a construction would beget endless uncertainty and embarrassment. The cases must be palpable and extreme, in which it could be pronounced, with certainty, that a measure was absolutely necessary, or one, without which the exercise of a given power would be nugatory. There are few measures of any government which would stand so severe a test. To insist upon it, would be to make the

never can be a doubt, that a law of a corporation, if contrary to a law of a State, must be overruled as void, unless the law of the State is contrary to that of the United States, and then the question will not be between the law of the State and that of the corporation, but between the law of the State and that of the United States.

Another argument made use of by the Secretary of State is, the rejection of a proposition by the Convention to empower Congress to make corporations, either generally, or for some special purpose.

What was the precise nature or extent of this proposition, or what the reasons for refusing it, is not ascertained by any authentic document, or even by accurate recollection. As far as any such document exists, it specifies only canals. If this was the amount of it, it would, at most, only prove that it was thought inexpedient to give a power to incorporate for the purpose of opening canals, for which purpose a special power would have been necessary, except with regard to the western territory, there being nothing in any part of the Constitution respecting the regulation of canals. It must be confessed, however, that very different accounts are given of the import of the proposition, and of the motives for rejecting it. Some affirm that it was confined to the opening of canals and obstructions in rivers; others, that it embraced banks; and others, that it extended to the power of incorporating generally. Some, again, allege that it was disagreed to because it was thought improper to vest in Congress a power of erecting corporations. Others,

because it was thought unnecessary to *specify* the power, and inexpedient to furnish an additional topic of objection to the Constitution. In this state of the matter, no inference whatever can be drawn from it.

But whatever may have been the nature of the proposition, or the reasons for rejecting it, it includes nothing in respect to the real merits of the question. The Secretary of State will not deny that, whatever may have been the intention of the framers of a constitution or of a law, that intention is to be sought for in the instrument itself, according to the usual and established rules of construction. Nothing is more common than for laws to *express* and *effect* more or less than was intended. If, then, a power to erect a corporation in any case be deducible, by fair inference, from the whole or any part of the numerous provisions of the Constitution of the United States, arguments drawn from extrinsic circumstances, regarding the intention of the Convention, must be rejected.

Most of the arguments of the Secretary of State, which have not been considered in the foregoing remarks, are of a nature rather to apply to the expediency than to the constitutionality of the bill. They will, however, be noticed in the discussion which will be necessary in reference to the particular heads of the powers of the government which are involved in the question.

Those of the Attorney-General will now come under view.

His first objection is, that the power of incorporation is not *expressly* given to Congress.

power to erect corporations in *all cases*. A *particular* legislative power implies authority to erect corporations in relation to cases arising under *that power only*. Hence the affirming that, as *incident* to sovereign power, Congress may erect a corporation in relation to the *collection* of their taxes, is no more than to affirm that they may do whatever else they please; than the saying that they have a power to regulate trade, would be to affirm that they have a power to regulate religion; or than the maintaining that they have sovereign power as to taxation, would be to maintain that they have sovereign power as to every thing else.

The Attorney-General undertakes in the next place to show, that the power of erecting corporations is not involved in any of the specified powers of legislation confided to the National Government. In order to do this, he has attempted an enumeration of the particulars, which he supposes to be comprehended under the several heads of the *powers* to lay and collect taxes, etc.; to borrow money on the credit of the United States; to regulate commerce with sovereign nations, between the States, and with the Indian tribes; to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States. The design of which enumeration is to show *what* is included under those different heads of power, and negatively, that the power of erecting corporations is not included.

The truth of this inference or conclusion must depend on the accuracy of the enumeration. If it can

The heads of the power to regulate commerce with foreign nations are stated to be:

1. To prohibit them or their commodities from our ports.

2. To impose duties on them, where none existed before, or to increase existing duties on them.

3. To subject them to any species of custom-house regulation.

4. To grant them any exemptions or privileges which policy may suggest.

This enumeration is far more exceptionable than either of the former. It omits *every thing* that relates to the *citizens' vessels*, or *commodities* of the United States.

The following palpable omissions occur at once:

1. Of the power to prohibit the exportation of commodities, which not only exists at all times, but which in time of war it would be necessary to exercise, particularly with relation to naval and warlike stores.

2. Of the power to prescribe rules concerning the characteristics and privileges of an American bottom; how she shall be navigated, or whether by citizens or foreigners, or by a proportion of each.

3. Of the power of regulating the manner of contracting with seamen. the police of ships on their voyages, etc., of which the act for the government and regulation of seamen, in the merchants' service, is a specimen.

That the three preceding articles are omissions will not be doubted; there is a long list of items in addition, which admit of little if any question, of which a few samples shall be given.

ticularly indefinite and vague. It does not at all satisfy the conception of what must have been intended by a power to make all *needful rules* and *regulations*, nor would there have been any use for a special clause, which authorized nothing more. For the right of exerting an ownership is implied in the very definition of property. It is admitted, that in regard to the western territory something more is intended; even the institution of a government—that is, the creation of a body politic, or corporation of the highest nature; one which, in its maturity, will be able itself to create other corporations. Why, then, does not the same clause authorize the erection of a corporation in respect to the regulation or disposal of any other of the property of the United States?

This idea will be enlarged upon in another place.

Hence it appears, that the enumerations which have been attempted by the Attorney-General, are so imperfect as to authorize no conclusion whatever; they therefore have no tendency to disprove that each and every of the powers to which they relate includes that of erecting corporations, which they certainly do, as the subsequent illustrations will more and more evince.

It is presumed to have been satisfactorily shown in the course of the preceding observations:

1. That the power of the government, as to the objects intrusted to its management, is, in its nature, sovereign.

2. That the right of erecting corporations is one inherent in, and inseparable from, the idea of sovereign power.

the banks of North America, New York, and Massachusetts, all or either of them; or it might have been in bills issued under the authority of the United States.

No part of this can, it is presumed, be disputed. The appointment, then, of the *money* or *thing* in which the taxes are to be paid, is an incident to the power of collection. And among the expedients which may be adopted, is that of bills issued under the authority of the United States.

Now the manner of issuing these bills is again matter of discretion. The government might doubtless proceed in the following manner:

It might provide that they should be issued under the direction of certain officers, payable on demand; and, in order to support their credit, and give them a ready circulation, it might, besides giving them a currency in its taxes, set apart, out of any moneys in its treasury, a given sum, and appropriate it, under the direction of those officers, as a fund for answering the bills, as presented for payment.

The constitutionality of all this would not admit of a question, and yet it would amount to the institution of a bank, with a view to the more convenient collection of taxes. For the simplest and most precise idea of a bank is, a deposit of coin, or other property, as a fund for *circulating* a *credit* upon it, which is to answer the purpose of money. That such an arrangement would be equivalent to the establishment of a bank, would become obvious, if the place where the fund to be set apart was kept should be made a receptacle of the moneys of all

Let the illustration proceed a step further. Suppose a bank of the nature which has been described, with or without incorporation, had been instituted, and that experience had evinced, as it probably would, that, being wholly under a public direction, it possessed not the confidence requisite to the credit of the bills. Suppose, also, that, by some of those adverse conjunctures which occasionally attend nations, there had been a very great drain of the specie of the country, so as not only to cause general distress for want of an adequate medium of circulation, but to produce, in consequence of that circumstance, considerable defalcations in the public revenues. Suppose, also, that there was no bank instituted in any State; in such a posture of things, would it not be most manifest, that the incorporation of a bank like that proposed by the bill would be a measure immediately relative to the *effectual collection* of the taxes, and completely within the province of the sovereign power of providing, by all laws necessary and proper, for that collection? If it be said, that such a state of things would render that necessary, and therefore constitutional, which is not so now, the answer to this, and a solid one it doubtless is, must still be that which has been already stated —circumstances may affect the expediency of the measure, but they can neither add to nor diminish its constitutionality.

A bank has a direct relation to the power of borrowing money, because it is a usual, and in sudden emergencies an essential, instrument in the obtaining of loans to government.

the government in the light of a joint proprietor of the stock of the bank, it brings the case within the provision of the clause of the Constitution which immediately respects the property of the United States.

Under a conviction that such a relation subsists, the Secretary of the Treasury, with all deference, conceives that it will result as a necessary consequence from the position, that all the specified powers of government are sovereign, as to the proper objects; that the incorporation of a bank is a constitutional measure; and that the objections taken to the bill, in this respect, are ill-founded.

But, from an earnest desire to give the utmost possible satisfaction to the mind of the President, on so delicate and important a subject, the Secretary of the Treasury will ask his indulgence, while he gives some additional illustrations of cases in which a power of erecting corporations may be exercised, under some of those heads of the specified powers of the government, which are alleged to include the right of incorporating a bank.

1. It does not appear susceptible of a doubt, that if Congress had thought proper to provide, in the collection laws, that the bonds to be given for the duties should be given to the collector of the district, A or B, as the case might require, to enure to him and his successors in office, in trust for the United States, that it would have been consistent with the Constitution to make such an arrangement; and yet this, it is conceived, would amount to an incorporation.

2. It is not an unusual expedient of taxation to farm particular branches of revenue—that is, to mortgage or sell the product of them for certain definite sums, leaving the collection to the parties to whom they are mortgaged or sold. There are even examples of this in the United States. Suppose that there was any particular branch of revenue which it was manifestly expedient to place on this footing, and there were a number of persons willing to engage with the government, upon condition that they should be incorporated, and the sums vested in them, as well for their greater safety, as for the more convenient recovery and management of the taxes. Is it supposable that there could be any constitutional obstacle to the measure? It is presumed that there could be none. It is certainly a mode of collection which it would be in the discretion of the government to adopt, though the circumstances must be very extraordinary that would induce the Secretary to think it expedient.

3. Suppose a new and unexplored branch of trade should present itself, with some foreign country. Suppose it was manifest, that to undertake it with advantage required a union of the capitals of a number of individuals, and that those individuals would not be disposed to embark without an incorporation, as well to obviate that consequence of a private partnership which makes every individual liable in his whole estate for the debts of the company, to their utmost extent, as for the more convenient management of the business—what reason can there be to doubt that the National Government would have

such a reason were demanded, none could be given, unless it were this: That Congress cannot erect a corporation. Which would be no better than to say, they cannot do it, because they cannot do it—first presuming an inability, without reason, and then assigning that inability as the cause of itself. Illustrations of this kind might be multiplied without end. They shall, however, be pursued no further.

There is a sort of evidence on this point, arising from an aggregate view of the Constitution, which is of no inconsiderable weight: the very general power of laying and collecting taxes, and appropriating their proceeds—that of borrowing money indefinitely—that of coining money, and regulating foreign coins—that of making all needful rules and regulations respecting the property of the United States. These powers combined, as well as the reason and nature of the thing, speak strongly this language: that it is the manifest design and scope of the Constitution to vest in Congress all the powers requisite to the effectual administration of the finances of the United States. As far as concerns this object, there appears to be no parsimony of power.

To suppose, then, that the government is precluded from the employment of so usual and so important an instrument for the administration of its finances as that of a bank, is to suppose what does not coincide with the general tenor and complexion of the Constitution, and what is not agreeable to impressions that any new spectator would entertain concerning it.

Little less than a prohibitory clause can destroy

Another criterion may be this: whether the institution or thing has a more direct relation, as to its uses, to the objects of the reserved powers of the State governments than to those of the powers delegated by the United States. This rule, indeed, is less precise than the former; but it may still serve as some guide. Surely a bank has more reference to the objects intrusted to the National Government than to those left to the care of the State governments. The common defence is decisive in this comparison.

It is presumed that nothing of consequence in the observations of the Secretary of State and the Attorney-General has been left unnoticed.

There are, indeed, a variety of observations of the Secretary of State designed to show that the utilities ascribed to a bank, in relation to the collection of taxes, and to trade, could be obtained without it; to analyze which, would prolong the discussion beyond all bounds. It shall be forborne for two reasons. First, because the report concerning the bank may speak for itself in this respect; and secondly, because all those observations are grounded on the erroneous idea that the *quantum* of necessity or utility is the *test* of a constitutional exercise of power.

One or two remarks only shall be made. One is, that he has taken no notice of a very essential advantage to trade in general, which is mentioned in the report, as peculiar to the existence of a bank circulation, equal in the public estimation to gold and silver. It is this that renders it unnecessary to lock up the money of the country, to accumulate for

bank a sum equal to that which it receives on loan. But let it be remembered, that it does not, therefore, cease to be a proprietor of the stock, which would be the case if the money received back were in the nature of a payment. It remains a proprietor still, and will share in the profit or loss of the institution, according as the dividend is more or less than the interest it is to pay on the sum borrowed. Hence that sum is manifestly, and in the strictest sense, a loan.[1]

[1] Washington after careful consideration adopted the opinion of Hamilton and signed the bill. The national bank thus established conformed, except in a few points, with the plan proposed by Hamilton while the principles, the guiding lines, and the great central idea were all his. The policy thus begun has prevailed, with one or two intervals, throughout our subsequent history, and seems now to have become a permanent part of our financial system.

The charter of Hamilton's bank expired in 1811. Two years before that date the bank petitioned for a recharter, and Gallatin sent in a report strongly favoring the policy, although suggesting some modifications of the charter. It was too late for action and the matter went over to the next Congress (1810), when a bill was introduced in the House founded on Gallatin's report. At the same time a bill for a new bank was introduced in the Senate. It was charged that the old bank was a Federalist concern. The Democrats, although they had recognized its constitutionality by several acts, began to declaim against it; the two schemes clashed, and the whole matter went over to the next session. The old bank then applied again for a renewal, and was again strongly supported by Gallatin. It was resisted by the enemies of the Secretary and by those speculating in State banks. The House indefinitely postponed it—sixty-five to sixty-four. In the Senate the enacting clause was stricken out by the casting vote of Vice-President Clinton, who rested his objection simply on the ground that the new charter left the bank a private and exclusive corporation beyond the control of the government (1811).

The loss of the bank was severely felt during the stress of the war, which began in the next year, and the financial confusion which followed. To revive our broken credit and re-establish our currency, Dallas (1814) proposed a bank before the close of the war, with power to issue irredeemable paper money. After a sharp conflict bills were

brought in, in conformity to Dallas' report. Calhoun met this scheme with one of his own for a private bank not allowed to suspend specie payment nor compelled to lend to the government. After a close and exciting struggle a compromise plan, agreeing in the main with Calhoun's, was passed and sent to the President, who vetoed it as inadequate for the needs of the time.

The confusion and distress, however, continued, and the government was unable to pay in specie. Dallas, therefore, determined to try for a bank once more. He reported a plan substantially the same as Hamilton's, and this scheme, ardently supported by Calhoun as well as by Clay, who had changed his views since 1811, passed both Houses with slight modifications, was signed by Madison, and became law (1816).

Three years later the question of the constitutionality of the bank came before the Supreme Court in the case of McCullough *vs.* Maryland. Marshall delivered the opinion of the court, which was unanimous. That opinion, one of the ablest of Marshall's decisions, strongly affirmed the constitutionality of the bank, and should be read in conjunction and compared with Hamilton's Cabinet opinion. Nothing shows Hamilton's power of argument and statement, and his ability as a constitutional lawyer better than this most severe test.

When the bank next came before the public it was in the fierce struggle with Andrew Jackson, which began in 1830 and ended with the overthrow of the bank in 1836. The bank had been held to be constitutional by the Congress of 1791, by Washington when he signed the bill, by Jefferson when he signed bills to establish its branches in the Territories, by the Congress of 1816, by Madison when he put his name to the charter of the second bank, and finally by the whole Supreme Court with Marshall at its head. But Jackson knew more than all these, and considered them of no authority; in fact, with his profound legal knowledge, he was able to point out the obvious errors of Marshall. He vetoed the bank bill, resting his veto on all sorts of grounds, and chief among them its unconstitutionality. Then came the "pet banks," receiving the deposits of government, then a brief fever of speculation, and finally the crash of 1837, which, on the whole, was the most remarkable feat and the most memorable achievement of the hero of New Orleans.

After the effects of the panic of 1837 had passed away, there were some futile efforts to revive the bank, and then the country was forced back upon local institutions. The danger, inconvenience, and utter inefficiency of the State banks are still freshly remembered. The country groaned and chafed under them for more than twenty years, until the Republican party came into power and established the present system of national banks. The new plan did away with the State banks by absorbing them and thus destroying the active and

interested opposition which confronted the old Bank of the United States and its predecessor. The present system seems to be firmly and permanently established. It embodies Hamilton's two great principles—national banking, supervized by the Central Government, and a national-bank currency. Hamilton's policy of national banking has become an integral part of our financial system, and has prevailed over all the attacks which have been made upon it. There is another side however to the question more important than its financial results. This is the constitutional argument employed by Hamilton in his cabinet opinion to which allusion has been made in a previous note. In this famous cabinet opinion Hamilton summoned to his aid the doctrine of the unimplied powers of the Constitution, and the establishment of the bank was the first triumph of that principle which has done more than anything else to build up and strengthen the power of the National Government.

END OF VOL. III.